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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

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20 July 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council ✓

FROM: Graham E. Fuller
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SUBJECT: Iran--Dwindling Options

1. Iran is facing a critical period ahead as its options in the Iran-Iraq War seem to be sharply diminishing, leaving it with few palatable choices. As Iran seeks to redefine its goals, a strain on the leadership is likely to result.

-- With Iran's open options, the regional situation has become more fluid and harder to predict, with at least some possible outcomes even less desirable for US interests.

2. Victory Recedes: Up through last winter Iran looked like it had backed Iraq into a corner:

-- Iran was producing oil and able to pay for the war while Iraq could not; Iraq was on the dole.

-- Iran seemingly could take massive casualties whereas Iraq could not.

-- Iran seemed intransigent and unresponsive to Iraqi offers to end the war, providing no light for Iraq at the end of the tunnel.

-- Iraqi defensive strategy was passive and uninspired.

3. It was on this basis last fall that the US gave consideration to "tilting" towards Iraq out of concern that otherwise Iran could eventually prevail.

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4. Changing circumstances: A strategic shift in the war has occurred over the past many months:

- Iraq is producing and using mustard and nerve agents.
- Iraq is nearing agreement on an Iraq-Jordanian pipeline.
- Iraq is employing the Super Etendard and Exocet with increasing effectiveness and now has a growing capability to deter oil shipments from Kharg Island.
- Iraqi static defenses and use of flooding have proven daunting to Iran.
- Iran seems engaged in more intense internal debate on the tactics and costs of the war.
- Saudi Arabia has demonstrated some capability to defend itself in the air.
- The Soviets have stepped up their commitment to Iraq and are more willing to arm the Iraqis heavily against Iran, heightening Iranian concern.
- Saddam Hussein shows no signs of slipping.

5. The War Option: If Iran decides to continue the war, it faces the following prospects:

- Iraqi attacks against Iranian population centers may increase.
- Iraq is increasingly likely to repel Iranian onslaughts through Iraqi use of chemical warfare, flooding and static defenses;
- Iraq will intensify attacks against Iranian shipping and may be able to sharply curtail Iranian income;
- Iraq may be more willing and capable of striking at Kharg itself;
- The US could be drawn directly into the conflict in an air or sea war which would lead to severe Iranian losses.
- Iranian casualties could greatly increase, possibly threatening internal stability and the rule of the mullahs.
- Syria is increasingly unenthusiastic about the broadening prospects of the Gulf War.

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- The cost of ending the war may be going up as Iraq grows more confident of its ability to go the long haul, defend itself and concede less at the bargaining table.
- The USSR may provide further strategic weaponry to Iraq and could even threaten Iranian security from within Soviet borders.

6. In short, victory seems increasingly unlikely and the costs to Iran are going up. Yet the peace option is equally unattractive to Tehran.

7. Iran's Strategic Goals: Iran cannot lightly decide to dispense with the war. It is not simply a matter of redrawing tactical goals. Iran has long been locked in a geopolitical struggle with Iraq which predates both Saddam and Khomeini; it is basically a historic contest for primacy in the Gulf--a contest whose implications the Shah recognized clearly.

- If Iran abandons the war now it will essentially be conceding the prospect of dominance in the Gulf for the foreseeable future--whether Saddam goes or stays. This is almost intolerable for Iran and doubly so given the new religious ideology with which this struggle is additionally invested.

7. The struggle for oil: Iran's war goals aim not only at humbling of Iraq but at a psychological victory over the other Gulf states as well. If Iran is locked in a geopolitical struggle with Iraq, it also challenges Saudi Arabia as the bastion of US influence and the chief prop for oil policies anathema to Iran. An Iranian victory over Iraq would thus also have a clear-cut message for all the Gulf oil-producing states:

- Iran is the power to be reckoned with in the Gulf.
- The US is basically unreliable as a refuge in time of long-term political struggle in the region.
- The question of oil production ceilings and oil prices are no longer to be determined by Saudi Arabia, but by Iran. Iran will be the chief proponent of higher prices and less production. (This issue predates Khomeini.)

8. The struggle will continue: Whether or not the Gulf conflict moves out of the hot-war phase, the struggle will continue, both against Iraq and the other Arab states. Iran cannot afford to abandon this conflict in either geopolitical or religious terms; to do so would be tantamount to admitting the failure of the Revolution and its irrelevancy to the Muslim world.

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9. The key question for Iran therefore becomes: is war, or peace, the more damaging to Tehran's vision of the future? What other ways exist for Iran to pursue its historical and religious ambitions?

10. Iran most probably will decide to delay the battle but not abandon the war. Signs are already afoot that Iran may be seeking ways to broaden its base of support within the country in order to prepare itself more effectively for some future grand battle whose time and place have yet to be chosen. The regular military may be sought to play a greater role, thereby lending greater effectiveness--and perhaps greater realism--to Iran's military aspirations. Such a step might also contribute to the greater rationality of Iranian politics in the future.

11. Iranian tactics in the war: Whatever strategic dilemma Iran may face, it has several tactical options in the coming months:

- pursue limited attacks against Iraq designed to maintain the war of nerves and attrition but reduce casualties;
- periodically attack Iraq up and down the length of the border when the opportunities arise;
- stimulate the Kurds in northern Iraq into breaking the current Kurdish-Iraqi government truce and forcing Iraq to open a new and costly front in this region;
- continue to alternately threaten and entice the Arab Gulf States to persuade Iraq to limit its air war in the Gulf. (Iran knows the Gulf states fear a spread of the war and will try to persuade them to remove Saddam Husayn as the "sole obstacle to ending the war.")
- seek improved aircraft and other strategic weapons in order to achieve greater weapons parity with Iraq.

12. Iran can turn to longer range political subversion in the region including healthy doses of terror. This is likely under almost any circumstances, yet it is puzzling why Iran has not employed this terror option since last December. Are its terrorist capabilities less than we had imagined, or has Tehran decided to deemphasize this instrument?

13. Khomeini's death: Were Khomeini to disappear from the scene we might expect some shift in emphasis: the zeal of the crusade against Saddam personally would probably diminish and Iran might review the value of the hot war per se. It is unlikely that Iran's strategic geopolitical goals in the Gulf will change, however, and the general

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outlines of an anti-Soviet, anti-Iraqi, anti-Saudi pattern will persist. As long as the mullahs remain in power this geopolitical goal of Iran will be strengthened by its particular brand of Shia radicalism with its strong anti-US thrust.

14. The Soviet Option: The Soviets have probably decided that sticks are more likely to get the attention of Iran's leaders at this stage than are the ineffective Soviet carrots of the past few years. Iran may already be concerned at this development and be taking steps to relieve Moscow's pressure through regularization of relations.

- Yet I doubt very much that Tehran has changed its view of the historical fact of the Soviet/Russian threat to Iran. Ideologically Iran is still most unlikely to turn to the Soviets for support--much less an alliance. Improved Soviet-Iranian relations can still serve to create a Soviet-Iranian arms relationship which has highly negative implications for the West.

15. Any such period of turmoil and fluidity offers Moscow new opportunities for intervention in Iran, especially as the prospect of US intervention in the Gulf grows. Moscow furthermore has formidable tools at its disposal with:

- a standing army on Iran's borders;
- Soviet forces in Afghanistan (with legitimate casus belli against Iran for its support to the Afghan insurgents);
- Moscow's 1921 treaty with Iran permitting Soviet intervention under certain circumstances.;
- Tudeh and other leftist elements still exist in Iran (albeit hunkered very low);
- irredentist movements for "northern and southern Azerbaidzhan unity" are being touted in Baku.

Yet the present leadership in Moscow will probably conclude that the implications of Soviet military involvement in Iran, with uncertain results, is far too bold a policy at this time.

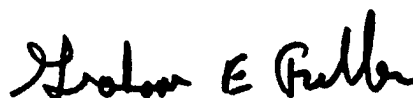
- This prospect nevertheless remains the single most disturbing one as Iran moves into a period of increasing pressures, critical choices, possible internal turmoil and strategic disappointments. The US can only view a struggle for power in Tehran with some ambivalence because the options it opens can more readily be exploited by Moscow than the US.

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- Because of this prospect the US will find advantage in avoiding military confrontation with Iran if possible and in encouraging others to develop a limited military supply relationship with Iran as soon as possible after the shooting war with Iraq looks like it is over. China, Israel, Brazil, and Western Europe remain the best bets.

16. US prospects: The US is unlikely to be able to get close to Iran anytime soon. We will remain committed to Saudi Arabia and the Arab Gulf moderates, in support of Israel, and an advocate of price control on oil. All of this conflicts with Iran's goals. The US is also ideological symbol for the rich against the oppressed and the weak no matter what we do. The anti-US bias could diminish over time, however, and eventually probably will in the event of a growing Soviet threat to Iran. We are, after all, a distant, and not a neighboring, Satan.

17. Tehran's unpalatable choices can serve as only limited comfort to us in the months ahead since the outcome is not fully predictable and involve at least several possibilities potentially worse for our interests. We must recognize that a long-term geopolitical struggle in the Gulf will in any case be entering a new phase with different perils, only slightly less dramatic than the closure of the Gulf to Western oil.



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